

INVENTORY MANAGEMENT

The Navy supply system has two primary parts—inventory management and physical distribution. In this chapter we describe the information you should know about inventory management.

Aviation Storekeepers are assigned to billets in Navy stocking activities. These are activities afloat or ashore that carry materials in inventory stores account for their own use or to support other activities. As a senior AK, you should familiarize yourself with the procedures for managing stock items in your activity. This chapter will help you understand the practices and procedures applicable to material custody and inventory management. You should also learn the procedures for conducting physical inventory and reconciling inventory results.

Inventory management functions include deciding what items and how many of these items should be stocked. The function includes deciding where to store the items so they will be close to the likely users. It also includes tracking the material from the time it is ordered until it is issued. Inventory management is mainly done at the naval inventory control points (NAVICPs).

A perfect inventory management enables every material requirement to be satisfied from stock within the required time frame. Although this is the ideal result for each material request, this goal is often not achieved. To achieve this goal is to put every item needed to support all aircraft and equipment in the stock inventory. However, this will cost a large amount of money, especially for those items that are seldom used. To provide supply support and keep the inventory cost to a minimum, the projected customer demand is used as the foundation of the federal inventory management system. (NOTE: Demand is any request for an item.) To properly invest funds, any item without a projected demand is not stocked, or is removed (purged) from stock.

The Navy inventory management activities are those organizations assigned as primarily responsible for managing assigned groups or categories of supplies. These activities are classified into two groups as follows:

1. Navy commands whose principal mission is Navywide program management of weapons systems/major items. These are the Hardware Systems Command (HSC), Project Offices, the Navy Training Systems Center, and the Military Sealift Command.

2. Naval Inventory Control Point (NAVICP) under the Naval Supply Systems Command (NAVSUPSYSCOM or NAVSUP). The NAVICP is located in two sites. They are the NAVICP Philadelphia site (formerly known as Aviation Supply Office [ASO]) and NAVICP Mechanicsburg site (formerly known as Ships Parts Control Center [SPCC]).

The primary function of the inventory manager (IM) is to get and distribute material to effectively support Navy activities. The IM provides support for the life cycle of weapons systems and equipment assigned by the HSC. After the material requirement is determined, the IM locates the material in places that ensures the quickest response time. The Navy's distribution system is involved with three stocking levels. They are the consumer (including shipboard), intermediate (ashore and afloat), and wholesale. The distribution system is designed to push material to wholesale stock points based on its customer's anticipated requirements. Ships and other customers then pull or requisition material from the wholesale stock points. When this pull of material is reported to the IM, the IM replaces the item with push material to the stock points. In cases where the wholesale stock points also carry intermediate stock, the items are pulled from the wholesale to satisfy retail requirements.

Items in stock are managed as wholesale or retail material. Both involve a central IM at the NAVICP who initially brings the item into the supply system. The difference between wholesale and retail is the handling of the item after it is brought in to the supply system. Wholesale material is always under central management at the NAVICP level. The IM positions the material at stock points but retains management responsibility. On the other hand, retail stock is locally managed at the stock points. The local managers set the level of inventory to satisfy local demands. Retail items are replenished by using the demand, insurance, and lead-time criteria.

Both the stock points and NAVICP perform inventory control tasks, but only stock points actually maintain an inventory. IMs at the NAVICP are responsible for procurement of specific items and positioning of these items in stock points to satisfy worldwide demand. The IM centrally manages these items for the customers. The managers in the stock points are responsible for local inventory management to support local demands.

The NAVSUP designates ashore Navy stocking activities (stock points) after coordination with affected commands and activities that receive support. The fleet commanders and type commanders designate afloat stocking activities.

The NAVICP provides the authorized allowance for repair parts and equipment requirements to ships, squadrons, or shore activities. Repair parts that are needed to support aviation weapons systems are listed in the activity's Aviation Consolidated Allowance List (AVCAL) or Shorebased Consolidated Allowance List (SHORCAL). As a senior AK, you are responsible for ensuring that the items in stock are properly managed.

DEFINITIONS

Some of the common terms used in inventory management are described in the following paragraphs. You should familiarize yourself with these terms.

- Bouncebacks—The procedure used when the stock point is notable to fill the requirement referred by the item manager.

- Classified items—Materials that require protection in the interest of national security. Refer to the *Department of the Navy information and Personnel Security Program Regulation*, OPNAVINST 5510.1.

- Consumer level of inventory—An inventory, regardless of funding source and usually of limited range and depth, held for the sole purpose of internal consumption.

- Controlled inventory items—Material having characteristics that require special accounting, security, or handling. These materials are categorized as classified and sensitive items.

- Intermediate level of inventory—An inventory, regardless of funding source, that is required between the consumer and wholesale levels of inventory. Its purpose is to support a defined geographic area. Intermediate level of inventory may also be held for

tailored support of specific consumer organizations or activities.

- Operating site—Any activity, either afloat or ashore, authorized to stock in a retail-level (consumer or intermediate) inventory.

- Pilferable items—Materials having a ready resale value or application for personal use and, therefore, subject to theft.

- Retail inventory—Materials held below the wholesale level in either consumer or intermediate inventories.

- Retail inventory stocking activity—Any activity authorized to stock items in retail-level inventory.

- Sensitive items—Materials that require a high degree of protection and control. Some examples of these items are narcotics, precious metals, ammunitions, explosives, and so forth.

- Wholesale inventory—Materials under the control of an inventory manager that are required to meet worldwide inventory requirements.

MATERIAL MANAGEMENT FUNCTIONS

Effective inventory management depends upon personal involvement by supply managers and supervisors in performing supply functions. Several material management functions performed in different areas in supply directly affect inventory. These include the following functions:

- Allowance list maintenance
- Issue processing
- Receipt processing
- Physical inventory count and reconciliation
- Stock record maintenance

FILES

Several files are used in inventory management. Some of these files areas follows:

- Material files—Those files maintained to manage items in stock or to record demand data. Under the Supply Uniform Automated Data Processing System—Real Time (SUADPS-RT), the primary material file is the Basic Material File (BMF).

- Requisition files—A record of all requisitions submitted by the activity or supported units. In SUADPS-RT, the Basic Requisition File (BRF) contains records of requisitions submitted into the supply system.

- Financial files—Data needed to prepare financial inventory or other required reports.

- Transaction files—Files used in automated systems to hold transaction records for further processing or producing reports.

- History files—A complete history of supply processing, yet limit the size of some active files. In automated activities, history files are normally maintained on tapes and are not available in on-line programs.

- DLR Carcass tracking files—Transactions and information concerning the shipment of NRFI DLRs.

- Expenditure invoice files—The original or copy of each expenditure document prepared by the activity.

- Issue pending files—A copy of each material request forwarded to storage for off-line processing.

- Proof of delivery file—The signed copy of all documents for material issued.

- System output files—Reports produced by an automated system. These reports are printed on computer paper and filed separately in an appropriate binder or cabinet.

Automated files are maintained by entering the record(s) in the computer in an interactive or batch processing method. The interactive processing method is performed by using the computer function via the data entry screen to input records in a manual format. Batch processing is normally accomplished by using a magnetic tape record format. Some of the records that are batch processed are as follows

- Management data reconciliation. At least annually, ships submit the request for records reconciliation to NAVICP-Mechanicsburg (formerly WCC). The NAVICP-Mechanicsburg in turn provides a tape of change notice actions tailored to the activity's records,

- Annual price change tape is provided by NAVICP-Mechanicsburg to update the prices of items in the stock records.

- The Recording Demand Data function allows transfer of internal demand data to the demand history file.

Refer to the automated operating procedures used in your activity for additional information concerning batch processing.

MANAGEMENT REPORTS

The reports produced in inventory management are used for reviewing the stock posture. *Some* of the reports list the transactions that affect the change of stock inventory. Although very few AKs may be assigned to review and act on the management reports, you should know the purpose of these reports. Some of the reports that the AK may review areas follows:

The Fixed Allowance Management Review (FAMR) Report allows specified afloat activities to review the allowance quantities of repairable items. The FAMR uses the latest average monthly demand to compute the amount of stock required based upon the past demand. Supervisors should review this report for items that qualify for allowance change. Change of allowance requires submitting the Allowance Change Request-Fixed (ACR-F) form based on the supply officer or type commander's criteria.

The AVCAL/COSAL Analysis Report provides a detailed list of all items stocked to support a specific allowance listing. Supervisors can use this listing to verify that new equipment, repair parts, and required consumable items are on hand or on order. This report is also used to get detailed information on items being listed with a low support on the AVCAL/COSAL Percentage Report.

The AVCAL/COSAL Percentage Report provides a summary of stock on hand and on order by Allowance Parts List (APL) and Repairable Identification Code (RIC). The report lists the percentage of on hand, on hand greater to or equal than the reorder point (RP), and on hand plus on order equal to or greater than the RP. This report also shows the number of stock records supporting the APL or RIC. Supervisors should review this report upon completion of demand processing and the associated automatic reorder. Refer to AVCAL/COSAL Analysis Report to find detailed information about an item on this report.

The Awaiting Return from AIMD Report is a daily cumulative listing of repairable items that was turned-in for repair and not yet returned to supply. These are items inducted for repair to the intermediate maintenance

activity (IMA) or aircraft intermediate maintenance department (AIMD). The supervisor can use this report to check for potential or an actual not in stock (NIS) condition. With this report, the supervisor can determine which items have been in an NIS situation for a number of days because of repair requirements. The stock control and AIMD officer should review this report to determine the required action as follows:

- Parts are on order to repair the item and a follow-up is required.

- Repair efforts should be terminated; the item should be processed as beyond capability of maintenance (BCM).

- The allowance quantity should be increased.

- When the stock control and AIMD officer determines the required action, the supervisor must ensure the actions are carried out to the letter.

The Stores Account Material Management Afloat/Ship Authorized Levels (SAMMA/SAL) provides the data necessary to evaluate the activity's inventory position. This report provides information to alert managers to take the following actions:

- The need to review stock replenishment policies
- Initiate cancellation requests
- Perform stock offloads
- Correct erroneous conditions in the stock records

The SAMMA/SAL report is produced according to the policies established by the type commander. Refer to NAVSUP P-567 for detailed procedures concerning SAMMAISAL.

The Supply Effectiveness Report measures the supply department's success in material support. This report contains performance analysis for the last reporting period (month). The supervisor can use this report to improve material availability. Using the applicable data in this report, the supervisor can ensure that the following actions are taken:

- The not carried (NC) nonstandard items are being reviewed for substitutes from standard material

- The NC standard items are being validated for acceptable substitutes carried in stock

- The demands showing in the not in stock (NIS) column has been verified by the storeroom supervisor

The low-net effectiveness means the depth of stock is insufficient. To improve this situation, a review of demand history processing parameters is required.

The low-gross effectiveness means that the range of stock is insufficient. To improve this situation, ensure the changes to the allowances are posted.

PHYSICAL INVENTORY PROGRAM

All naval activities and units that are responsible for maintaining stock records are required to establish an inventory program. The inventory program established by DODINST 4140.35 consists of four distinct functions. These are the location survey, physical inventory, location reconciliation, and quality control check.

The location survey is the physical validation, other than the actual count, of the assets in the storage location with the data on stock records. This function ensures that all assets are properly recorded as to the location, material identification, condition, and unit of issue.

The location reconciliation is the process of matching records of the stock point with the naval inventory control point (NAVICP) or item manager. This process allows correction of unmatched information between the stock point and NAVICP or IM records. Location reconciliation is scheduled by the NAVICP and performed jointly by the stock point and the NAVICP.

The physical inventory is the process of physically counting the items of stock in the location to verify the quantity (stock balance). A physical inventory consists of counts, post-count validation, preadjustment research, and causative research.

The quality control checks are statistically valid samples of those physical inventory and physical distribution functions that affect stock point record accuracy. These checks are used as a management to identify trends and resolve problem areas. The NAVSUPINST 4440.184 establishes policy and procedures for quality control.

POLICY

The policy, procedure, and performance objectives for the physical inventory program ashore are described in NAVSUPINST 4440.115. The physical inventory program for Navy-owned material carried by units that use the Supply Uniform Automated Data Recessing System-Real Time (SUADPS-RT) is described in

NAVSUPINST 4440.185. The Commander, Naval Supply Systems Command (COMNAVSUPSYSCOM) is responsible for the inventory program in the Navy. The COMNAVSUPSYSCOM is also responsible for monitoring the performance of the stock points, for compiling statistics, and for the submission of the *Inventory Control Effectiveness (ICE) Report*.

OBJECTIVES

The goal of the Navy physical inventory program is to establish and continuously improve the inventory accuracy and accountability of material in the stock points. The success of the physical inventory program has a direct impact on material availability, accurate and timely procurement actions, and overall supply effectiveness.

TYPES OF INVENTORY

The types and frequency of inventory are not always a matter of preference. Minimum inventory requirements are established by NAVSUP and vary according to the type of ship or activity. However, the TYCOM, commanding officer, or supply officer may direct specific inventories that exceed the minimum requirements. The types of inventory afloat and ashore are discussed in the following paragraphs.

Bulkhead-to-Bulkhead

A bulkhead-to-bulkhead inventory requires a physical count of all stock material within the ship or within a specified storeroom or storage area. This type of inventory is normally taken during an integrated logistics overhaul (ILO), as part of the re-AVCAL process for aviation activities, or when directed by higher authority. A bulkhead-to-bulkhead inventory may also be required when a random sampling inventory within a specific storage area indicates less than 90-Percent inventory accuracy.

Wall-to-Wall

A wall-to-wall inventory is a scheduled inventory of all material in a storage area ashore. This type of inventory is recommended only at those activities where the range and depth of stock is small and a complete inventory can be easily performed. A wall-to-wall inventory may also be required when sample inventories are less than established goals.

Specific Commodity

A specific commodity inventory requires the physical count of all items within a generic segment of material such as cognizance (COG) symbol, federal supply class (FSC), special material identification code (SMIC), or a group of items supporting the same function such as aircraft tires or dry cell batteries.

Special Material

Certain items are specifically designated for separate identification and inventory control. A special material inventory (also referred to as selected item inventory) requires the physical count of all such items. Items are selected based on their physical characteristics, cost, mission essentiality, and criticality. Items included in this category are labeled as hazardous, classified, repairable, shelf-life, or pilferable.

Specific Item (Spot Inventory)

A specific item inventory is referred to as a spot inventory. A spot inventory is an unscheduled inventory required to verify the quantity of material on hand as a result of a total or partial not in stock (NIS) issue transaction. This transaction is referred to as a warehouse refusal. Spot inventories are also taken as a result of directives from external commands such as an inventory manager or a TYCOM.

Velocity

A velocity inventory is based on the assumption that stock record errors increase with issue frequency. Therefore, the physical inventory effort should be concentrated on items that experience frequent demands.

Random Sampling

A random sampling inventory is used to measure stock record accuracy for a segment of material based on the physical count of a specified number of randomly selected items. The percentage of items to be inventoried under the random sampling method is 5 percent of the total items carried, less the number of items that are completely and periodically inventoried. The items that are periodically inventoried include the fast movers and special material; for example, if a ship carries 40,000 items in stock of which 2,000 are fast movers and 600 are special materials. The number of items to be scheduled for annual inventory by random

sampling method will be 1,870 (40,00 - 2,600 = 37,400 x 5%= 1,870). The accuracy rate is computed mathematically by subtracting the number of errors from the total number of items inventoried, then divide the difference by the total number of items inventoried. For example, the total number of items inventoried is 375 and the number of errors is 24 (375 - 24 = 351, then 351 + 375 = .9360). The accuracy rate is 93 percent. When inventory accuracy falls below 90 percent, a bulkhead-to-bulkhead or wall-to-wall inventory maybe required for the storeroom or storage area involved.

All quantity and location differences found during the random sampling inventory must be adjusted and posted in the stock records. However, the differences that should be counted as errors are as follows:

- Each location difference
- Each quantity difference when the quantity adjustment exceeds 10 percent of the stock record balance or the adjusted value exceeds \$25.

When computing the accuracy rate, count the location and quantity errors in the same stock record as only one error. Changes to the cognizance symbol, stock number, unit of issue, unit price, management codes, and so forth that are required as a result of the inventory are not considered as errors when computing the inventory accuracy rate.

SCHEDULED INVENTORY

Some items should be inventoried at a specified interval to ensure effective control of material needed to support the mission. The inventory requirements in Table 5-1 are considered the minimum necessary for effective control of material.

NONSCHEDULED INVENTORY

This is the type of inventory that is conducted to investigate the inaccuracies in the stock records found during issue process, random sampling, or supply inspection. Nonscheduled inventories also include those that are occasionally required of certain items as

Table 5-1.-Scheduled Inventory Requirements

CATEGORY	FREQUENCY	STANDARD QTY	LOCATION
Classified material	Quarterly	100%	100%
Flight clothing	Semiannually or change of custodian	100%	100%
Material in custody of other departments	Semiannually or change of custodian	100%	100%
Maintenance assist modules (MAMs)	Semiannually or change of department head	100%	100%
Test bench installations (TBIs)	Semiannually or change of department head	100%	100%
Demand based items (DBIs)	Quarterly, sample all storerooms	90%	98%
Non-Demand based items (NDBIs)	Quarterly sample	90%	98%
Repairables	Annually, upon return from deployment	100%	100%
Hazardous material	Annually	100%	100%
Controlled equipment	Biennially or change of department head or CO	100%	100%
NOTE: For current inventory requirements afloat, refer to COMNAVAIRLANT/COMNAVAIRPACINST 4440.1, NAVSUP P-485 or 567, or NAVSUPINST 4440.185.			

required by the item manager, type commander, or other authorities. An example of a nonscheduled inventory is the spot inventory. A bulkhead-to-bulkhead inventory of specified storeroom(s) or a specific commodity that is required as a result of an unsatisfactory random sampling or supply management inspection is an example of nonscheduled inventories.

ASHORE

The NAVSUPINST 4440.115 describes the physical inventory program for shore activities. The AKs assigned to shore billets are responsible for managing only a small portion of supply stock. The AKs are responsible for the supply assets located in the aviation support division (ASD)/supply support center (SSC). Personnel assigned to shore billets should familiarize themselves with the inventory program to cope with reorganizations.

Physical Inventory Requirements

The physical inventory required ashore is classified as the unscheduled and scheduled inventory as described in the following paragraphs.

UNSCHEDULED INVENTORY.— This inventory is conducted as a result of the following:

1. Spot Inventories of Warehouse Refusals. These are usually caused by errors between the stock records and the actual location. A warehouse refusal occurs when stock point records indicate an on-hand balance but the material cannot be located to satisfy a requisition. Processing the warehouse refusal results in customer credit, referral of the requisition, adjustment of stock record balance to zero, and the processing of an inventory adjustment. The procedures for processing warehouse refusals are listed in enclosure 2 of NAVSUPINST 4440.115. The stock points that do not elect to use this procedure must conduct a spot inventory of all warehouse refusals with a total dollar value greater than \$800 (excluding DLA-owned material).

NOTE: A spot inventory must be conducted for all sensitive or pilferable items that have experienced a warehouse refusal.

To ensure timely processing of requisitions, the potential warehouse refusal must be researched and resolved according to the time frames in Table 5-2.

Table 5-2.-Warehouse Refusal Time Frame

PRIORITY	NUMBER OF DAYS
01 – 03	The same day the issue document was printed.
04 – 08	NLT 2 days after the issue document was printed.
09 – 15	NLT 4 days after the issue document was printed.

2. In-house Receipt Losses. An inventory must be conducted for all in-house receipt losses with a dollar value over \$800.

3. Location Survey. An inventory must be conducted if the following stock record differences are identified:

- The material was found in an unrecorded location
- Potential gains (material is in the location, but stock record shows zero balance)
- Potential losses (material not in location, but stock record shows there is material on-hand)

4. Selected Item Inventory. This is requested locally when a known or suspected imbalance exists between the recorded and actual on-hand balance, or to resolve a Report of Discrepancy (ROD).

5. Naval Inventory Control Point/Defense Supply Center (NAVICP/DSC) Directed Inventory. The physical inventory requests are generated by the NAVICP/DSC when a bounceback is received and the research reveals that one of the following conditions exists:

- The bounceback is for condition code A material and the on-hand system asset in A condition is less than the projected quarterly demand.
- The bounceback is for a fleet-controlled item (any condition).

NOTE: The NAVICP/DSC freezes their records to prevent processing of requisitions until the results of inventory is received.

The NAVICP/DSC may also request for location reconciliation to resolve record/quantity mismatches. A physical inventory of assets is also required before

processing material transfer only if record balances are suspect or the item is classified or sensitive.

SCHEDULED INVENTORY.— This inventory is accomplished at a given time for a specific material category. The inventory frequency for each type of material is discussed in the following paragraphs.

General Supplies.— A random statistical sample inventory of the total population of items in storage is conducted quarterly to determine the overall inventory accuracy rate. Activities under the Uniform Automated Data Processing System-Stock Points (UADPS-SP) use the Statistical Accuracy Techniques and Measurements Analysis (STATMAN) system to perform the sample inventory. The non-UADPS-SP activities have the option to perform an annual wall-to-wall inventory instead of a quarterly sample inventory.

For arms, ammunition, and controlled inventory items, use the procedures described in OPNAVINST 5530.13. Sonobuoys must be inventoried annually.

Narcotics, drug abuse items and alcohol, and precious metals (Security codes Q and R) are inventoried quarterly. Refer to NAVSUPINST 4440.146 for additional information.

Classified (Security codes A through H, K, L, O, S, and T) items are inventoried annually as required by DODINST4140.35. In addition to the annual inventory requirement, NAVSUP Publication 1, Volume II, *Supply Ashore*, requires the maintenance and reconciliation of dual stock records. This is performed by matching the manual stock records and the master stock item record (MSIR). The manual stock record is to be maintained on NAVSUP Form 766, *Stock Record Card*, by the storage branch/division. To ensure inventory accuracy, the annual classified inventory and the reconciliation of the manual stock record must be scheduled alternately at six-month intervals.

Pilferable items (Security codes I, J, M, V, W, X, Y, Z) must be inventoried annually as required by DODINST4140.35.

Consumer Level Stock.— These are items carried in service marts (SERVMARTS), shop stores, ready supply stores, and W purpose repairables that are part of the fixed allowance assets.

Items in SERVMART must be inventoried once each fiscal year according to NAVSUPINST 4400.59. The inventory adjustments (based on dollar value of gains or losses) must not exceed one percent of the total sales since the last scheduled inventory. If the inventory adjustment is over one percent, an inventory must be

taken quarterly until the financial adjustments are within limits as prescribed by NAVSUPINST 4400.59.

The shop stores and ready supply stores are inventoried once each fiscal year according to NAVSUP Publication 1, Volume 2, *Supply Ashore*.

Inventory the fixed allowance assets in W purpose (SHORCAL) annually according to NAVSUPINST 4440.160.

Scheduled Inventory Requirements

During the fourth quarter of each fiscal year, stock points prepare a physical inventory schedule for the following fiscal year. The stock points should consider the following factors when preparing the schedule:

1. The estimated number of scheduled and unscheduled inventories to be conducted for the fiscal year.
2. Results of the recent statistical random sample inventories and location surveys. If the results dictate the need for a wall-to-wall inventory, the annual schedule must be updated with the scheduled inventory requirement.
3. Requests for inventory from the NAVICP/DSC.
4. Mandatory inventory requirements described in previous paragraphs.

Format for Annual Physical Inventory Schedule

The annual schedule indicates the inventories projected for execution during each quarter of the fiscal year. The schedule should be in the following format:

1. Inventory Segment. This column identifies the type of material to be inventoried. Some examples of the different types of material are classified, specific supply group or class, and so forth.
2. Scheduled Inventory Line Items. This contains the number of line items included in the segment of inventory.
3. Warehouse/Warehouse Areas. This identifies the warehouse or warehouse areas in which the inventory is conducted.
4. Preliminary Cutoff Date. At start of business on this date (7 to 15 days before the actual cutoff date), inventory controls are established and tracking of in-process transactions begin.

5. Actual Cutoff Date. This date is established at the close of business for the day or as the first order of business the next day. The stock point record balances are obtained at this time.

6. Date Count Commences. The count should begin on the first workday after the actual cutoff (if run as the last day's order of business) or the day of cutoff (if run as the first order of business).

7. Estimated Number of Unscheduled Inventories. This is the estimated number of spot and special inventories to be conducted during each quarter of the fiscal year.

COPIES OF INVENTORY SCHEDULE.— A copy of the inventory schedule is provided to the areas that process receipts, issues, reidentification, catalog changes, and so forth. In automated activities, a copy of the scheduled inventory is provided to the data processing activity. The data processing activities are responsible for running the physical inventory program according to the schedule.

PHYSICAL INVENTORY LOTS OR SEGMENTS.— The physical inventory segments for general supplies are formed according to the number of line items that can be counted and balances verified or adjustments processed within 30 calendar days.

The physical inventory lots of ammunition are formed on the basis of the number of locations that can be processed within 30 days.

Conducting the Physical Inventories

A physical inventory consists of three basic steps. They are physical counts, post-count validation, and preadjustment research. A physical inventory is considered complete when the stock point record balance has been verified as correct or when the adjustment quantity has been determined and processed. Refer to enclosure 3 of NAVSUPINST 4440.115 for detailed procedures in conducting physical counts and reconciliations.

Physical inventories are normally conducted on an open for business as usual basis. With very few exceptions, inventories are normally conducted in this manner because management cannot shutdown or freeze supply operations without adversely affecting support to the customer. The stock point ensures that there is positive control over all in-process or infloat transactions and material that may affect the inventory count. If a positive control cannot be achieved, take the following actions:

1. Suspend processing of low-priority requisitions (issue priority 9 to 15) while the item is under inventory.

2. A shut down or closed inventory in which all transaction and material processing is frozen is permitted if customer support will not be adversely affected.

Those items that are controlled on a serial number basis must be reconciled by serial number. This reconciliation process is conducted as part of the inventory.

Physical Inventory Report

The physical inventory reporting activities (see enclosure 13 of NAVSUPINST 4440.115) must submit quarterly reports to COMNAVSUPSYSCOM not later than 15 calendar days after the end of each quarter. The report is a summarization of the results of physical inventories and in-house receipt losses (UADPS-SP activities only). Each reporting activity must also submit a copy of the quarterly report to their major command. Refer to enclosure 5 of NAVSUPINST 4440.115 for detailed information concerning physical inventory report.

Physical Count and Reconciliation Procedures

The preliminary inventory controls must be established at least 7 days but no more than 15 days before the cutoff date. This ensures that transactions that will affect the physical inventory cutoff and the count are identified.

Obtain the count cards/listing for all locations recorded for all condition codes and items qualifying for inventory. As a minimum, the count cards/listing should contain material identification information, location, cutoff date, and inventory serial number. The count cards/listing should not have the stock record balance (quantity on-hand). Controls are maintained to ensure the count cards/listings are returned by personnel assigned as counters.

The first count starts by the first workday following the actual cutoff date and is completed and returned to the inventory office within 3 workdays.

COUNT PROCEDURES.— Inventory counters must verify the information between the count cards/listings/bar code labels with material in location. Annotate any discrepancies on the count cards/listings. Count all the items during the first count. Pull and count the items in all open or nonstandard unit pack boxes or

containers. Do not open any contractor sealed containers unless the quantity cannot be determined. Any computations used to get the total of inventory count is written on the count cards/listings. Personnel assigned as counters must sign (or initial) and date the inventory cards/listings after completing the inventory count.

FIRST COUNT VALIDATION AND SECOND COUNT REQUIREMENT.— The quantities are summarized by cognizance symbol (COG), national stock number (NSN), purpose code, and condition code. After summarization, the items are matched against the stock record quantities. If there are discrepancies on quantities, review the infloat transactions and material and adjust counts as required.

The item is considered reconciled and the inventory is complete if the following results are achieved:

- The adjusted first count quantity matches the stock record quantity
- The difference between the adjusted count quantity and the stock record actual cutoff quantity is \$800 or less and the material is not a controlled item

A second count is taken for all discrepancies in sensitive and controlled items. A second count is also taken for discrepancies of \$800 or more between adjusted counts and stock record actual cutoff quantities.

The second count must not begin until the following actions are completed:

- All first counts for a specific NSN and condition code have been accounted for
- The infloat transactions and materials have been considered and compared with stock record balances

SECOND COUNT VALIDATION AND THIRD COUNT REQUIREMENT.— The second count quantities are summarized by COG/NSN/purpose code/condition code. Review infloat transactions and adjust counts as required. If the adjusted second count quantity matches the stock record actual cutoff quantity, the item is reconciled and the inventory is complete.

If the first and second count do not match and the potential adjustment value is less than an activity's threshold (see Table 5-3), the second count is used for adjustment purposes.

Table 5-3.-Research Threshold

VALUE OF INVENTORY	RESEARCH THRESHOLD
Up to \$100 Million	\$ 2,500
\$100 to \$800 Million	\$ 5,000
\$800 Million to \$1.5 Billion	\$10,000
Over \$1.5 Billion	\$16,000
NOTE: The value of inventory is determined by the combined NSA and APA dollar value of material in stock. This value should not include DLA owned material, fuel, aircraft engines, SERVMART, shop stores, and ready supply stores. For example, if the total dollar value of stock point inventory is \$105 million, then all physical inventory adjustment gains and losses of \$5,000 or more will be selected for causative research.	

A third inventory count must be conducted for the following reasons:

- The first and second count do not match and the potential adjustment is over the activity's research threshold

- The item under inventory is sensitive or controlled

Before starting the third count, ensure the following actions are completed:

- All second counts for a specific NSN and condition code have been accounted for
- The infloat transactions and material have been considered
- The count quantities are compared with the cutoff balance

If the adjusted third count quantity matches the stock record actual cutoff quantity, the item is reconciled and the inventory is complete.

if the adjusted third count matches an adjusted count (first or second), use the adjusted third count. If none of the adjusted counts match, use the adjusted count closest to the stock record actual cutoff quantity.

Time Frame for Processing Inventories

There are two reasons for assigning a time frame for processing physical inventories.

First, timely processing is essential in reconciling the physical counts and in-process transactions with record balances. Delays in processing adversely affect stock point operations.

Secondly, the DSCs have automatic control features that will cancel the inventory after a specified number of days. Inventory counts received after the controls have been lifted will not proms. As a result, the DSC records will not be reconciled or updated. If this happens, the stock point has wasted its mourns.

The scheduled inventories requested by Navy activities must be completed within 30 calendar days of the actual cutoff date. Inventories requested by DSC must be completed within the following time frames:

- For a complete inventory, the results must be forwarded within 30 days of the actual cutoff date.
- For a sample inventory, the results must be forwarded within 20 calendar days of the actual cutoff date.

Unscheduled inventories requested by Navy or DSC must be completed within 15 calendar days of the actual cutoff date.

Physical Inventory Adjustments

When a discrepancy between the physical count and stock record cannot be reconciled, an adjustment must be processed. The adjustment will result to a gain or loss on the stock record.

Reversal of Inventory Adjustment

The *Military Standard Transaction Reporting and Accounting Procedures* (MILSTRAP), DOD Manual 4140.22-M, permits the reversal of inventory adjustments. The inventory adjustment must be within 365 days from the date of the adjustment. Reversals of inventory adjustments are permitted only if the following conditions are met:

1. If the original adjustment can be identified, inventory adjustment reversals will be permitted.
2. There has been no separately identifiable physical inventory conducted between the date of the original adjustment and the date the reversal is attempted. If an inventory has been completed between the date of the original adjustment and the date reversal action is attempted, the reversal will not be permitted. If an inventory has been initiated subsequent to original adjustment, and causative research indicates the

original adjustment was erroneous, a reversal of the original adjustment is permitted.

3. There are documentations to support the conclusion that the adjustment is in error.

4. Reversals to adjustments greater than 90 days old must be approved by the inventory accuracy officer according to NAVSUPINST 4440.132.

5. Adjustments must be reversed through credit loss or gain procedures. Transactions should not be reversed by complimentary financial transactions. For example, an M4 loss should not be reversed by a D4 gain, but with a credit loss. Refer to Table 5-4 for definitions of M4 and D4 financial inventory report (FIR) codes.

Special Reporting Requirements

Results of inventory for controlled items require a report to be submitted to the applicable item manager. A Missing, Lost, Stolen, or Recovered (MLSR) property report is required whenever there has been a gain or loss of sensitive material. The MLSR report is used only as an initial report. ADD Form 200, SF 364, or SF 361 is required as the final documentation of the gain or loss. The DD Form 200 is the *Financial Liability Investigation of Property Loss*. The Standard Form (SF) 364 is the *Report of Discrepancy*. Standard Form (SF) 361 is the *Transportation Discrepancy Report*. Refer to SECNAVINST 5500.4 for detailed information concerning the MLSR report.

Table 5-4.-Inventory Adjustment FIR Codes

FIR CODE	DEFINITION
D4	Inventory adjustment (gains), Physical inventory
D5	Inventory adjustment (gains), Incoming shipments
M4	Inventory adjustments (losses), Physical inventory and In-House
M5	Inventory adjustments (losses), Incoming shipments
M6	Inventory adjustments (losses), Shrinkage, Fire, and so forth.

Causative Research

In inventory management, causative research is an in-depth investigation of selected inventory adjustments to find out how they occurred. The errors found as a result of the causative research effort must be corrected. Unprocessed or incorrectly processed inventory adjustments need to be corrected to accurately reflect audit trail history. A summary of the causative research must be submitted to direct management actions to prevent reoccurrence.

TIME FRAME.— Causative research should be conducted after the physical inventory is completed and adjustments are processed to the stock records. The causative research must be completed within 45 days of the date that the adjustments are processed to the stock record. Causative research may be conducted before the completion of physical inventory if the time frame for processing inventories is met.

ERROR CAUSES.— The error causes identified by the causative research are summarized and provided in the physical inventory section of the DOD Inventory Control Effectiveness Report. A local management briefing must be conducted quarterly to discuss the summarized causative research results.

DLA-OWNED MATERIAL.— Stock points do not conduct causative research of DLA owned material unless directed by the appropriate DSC. The DSCs may request a causative research to be performed by stock points according to the MILSTRAP.

Location Survey

The procedures used for conducting location surveys depend upon the system being used by the activity.

STATLOC ACTIVITIES.— Activities using the statistical location (STATLOC) survey system should perform a sample location survey quarterly. Samples used for a location survey are drawn from the total population of recorded locations. To ensure that the sample's size is large enough, activities should serialize the STATLOC run. This allows each serial group to have its sample size determined independently.

Activities are required to maintain at least a 98-percent location survey accuracy rate in all warehouses/warehouse areas. If the accuracy rate is below 98 percent, the following actions are performed within 90 days of the initial sample survey date:

- Conduct a 100 percent location survey of the warehouse/warehouse area that failed the criteria. This method is recommended for low-dollar value items with high on-hand quantities.

- Conduct a 100 percent physical inventory of the warehouse/warehouse area that failed the criteria. This method is recommended for areas with high-dollar value items and low on-hand quantities.

All STATLOC activities will conduct a location survey for all locations at least once every 3 fiscal years.

NON-STATLOC ACTIVITIES.— Activities without the STATLOC system may use a sampling approach to location survey if the method is approved by COMNAVSUPSYSCOM. In this case, the same procedures as for the STATLOC activities apply. Activities not using the sampling approach must perform one of the following actions:

- Complete a location survey of all locations once each fiscal year. A 100-percent physical inventory of all items in a warehouse/warehouse area satisfies the annual location survey requirement for that area.

- Complete physical inventory of all items in storage once each fiscal year.

Location Survey Report

Upon completion of location survey requirements, stock points must submit the Location Survey Section of the DOD Inventory Control Effectiveness Report. Refer to enclosure 7 of NAVSUPINST 4440.115 for procedures in preparing the report.

Quality Control Checks

Stock Points are required to perform quality control checks according to NAVSUPINST 4440.184. The purpose of the quality control check is to identify the systems, procedures, or human errors that adversely affect the accuracy of stock records. Management level uses the result of these checks to resolve any deficiencies.

Performance Measurements and Goals

The location survey, location reconciliation, and inventory performance must be monitored and compared with the goals described in the following paragraphs.

For line item accuracy, the performance goals are 98 percent for class A-high dollar value (unit price

greater than \$1,000), 95 percent for class B-high readiness (item military essentiality code 3,4, or 5), 95 percent for class C-high variability (average quarterly demand greater than 3 or unit of issue not equal to each [EA]), and 95 percent for class D-all other.

Stock points will maintain a location survey of no less than 98 percent each quarter.

The computation for gross monetary adjustment (GMA) rate excludes SERVMART/manual ready supply stores/shop stores and fuel. The gross adjustment rate is expressed as the ratio of absolute dollar value of gains plus losses to the value of line items inventoried plus in-house receipt losses. The gross adjustment rate should not exceed 3 percent per quarter.

The location reconciliation between the NAVICP and stock points will be maintained at no less than 97 percent accuracy rate.

The financial adjustments (gains and losses) to SERVMART must not exceed one percent of the dollar value of sales that have transpired since the last scheduled inventory.

The net total of the adjustment gains and losses for shop stores/manual ready supply stores are computed by cognizance (COG) symbol. The adjustments for each Navy Stock Account (NSA) and Appropriation Purchase Account (APA) COG should not exceed one percent of dollar value throughput (receipts and issues). When the adjustment goal is exceeded, the stock point must provide an explanation for adjustments. Refer to NAVCOMPT Manual, Volume VIII, *Financial Inventory Accounting, Reporting, and Billing* for additional information.

Gains and losses of bulk petroleum products must not exceed the standards provided by DOD Manual 4140.25-M and OPNAVINST 4020.25. All monthly loss adjustments greater than established standards require survey action.

Retention of Records

It is necessary to keep records of inventories and actions directly affecting inventories such as location surveys, warehouse refusals, receipts, and so forth, to provide an audit trail. These records help in conducting research and in preparing required reports.

Stock points must retain records as follows:

- Retain records pertaining to physical inventory such as the inventory counts, adjustments, schedules, and so forth for a minimum of one year. For sensitive

items, arms, ammunitions, and explosives, retain for 1 year if there is no adjustments or 2 years if adjustments are processed.

- Retain transaction ledgers and causative research packages for two years.

- Retain the location survey listings and unmatched and manually prepared location survey cards for one year. STATLOC activities are required to retain only the listings and reports applicable to errors that have been corrected.

- Retain source documents of receipts and issues for one year. Foreign military sale (FMS) issues are retained for 2 years.

- Retain reports of discrepancy (ROD), MLSRs, and surveys (Financial liability investigation of property loss, DD Form 200) for 2 years.

- Retain location reconciliation listings, cards, and other records pertaining to location reconciliations for 1 year.

- Retain physical inventory, location survey, and location reconciliation reports for 2 years.

AFLOAT

The procedures of inventory management afloat are basically the same as the procedures ashore. They require an accurate allowance list, stock records, transaction processing, and a system of adjusting stock record balances with actual physical quantities of material on hand. In addition, establish a method to record and evaluate material usage data so that future requirements can be anticipated. The main objective of supply inventory managers and supervisors afloat is to make sure there is a balance between material requirements and assets on hand to support the ship's assigned mission.

MATERIAL MANAGEMENT

Effective material management procedures afloat require personal involvement by supply managers and supervisors in all supply functions. Supervision and training are vital to the supply department's ability to support the assigned operating departments and deployed units. Properly performed tasks, along with keen supervision often results in an effective material management program. Some of these supply tasks are allowance list maintenance, issue control processing,

receipt control processing, inventory count procedures, and stock record maintenance.

INVENTORY MANAGEMENT SEGMENTS

The AK basically deals with material inventories consisting of consumables and repairable.

1. Consumables refer to administrative and housekeeping items, tools, forms, repair parts, and other materials consumed by end users.

2. Repairable refer to components, assemblies, subassemblies, and modules determined by the Navy manager as economically repairable when it becomes unserviceable.

Repair parts and consumable segments consist of peacetime operating stock (POS) and non-POS allowance list items, nonallowance POS items, and material scheduled for off-load. Repairable are stock items that, if returned to service through repair cycles, can achieve inventory savings. Some repairable management programs are covered in other chapters of this training manual (TRAMAN).

Allowance List Non-POS Items

Allowance list non-POS items are items carried in stock based on allowance quantities established in the consolidated shipboard allowance list (COSAL), aviation consolidated allowance list (AVCAL), or load list.

Allowance List POS Items

Allowance list POS items are items carried in stock based on quantities established in the COSAL, AVCAL, or load list plus additional quantities as determined by demand and frequency recorded in the stock records.

Non allowance POS Items

Nonallowance POS items are items carried in stock based on the activity's demand requirements, but not included on any allowance list.

Material Scheduled for Off-Load

Material scheduled for off-load are items in stock but no longer required because of a reduction in allowance quantities or classified as excess material.

OBJECTIVES

The following are some of the basic objectives of inventory control procedures afloat:

- Focus attention on very few items that will satisfy the majority of the onboard demands for material
- Maintain an accurate consumption data required for the 3-M systems program and for maintaining adequate supply levels
- Maintain a historical demand data file for not carried (NC) items
- Reduce physical inventory requirements and prescribe standard inventory procedures
- Provide for effective management of controlled equipment, depot level repairable (DLRs), and presentation silver

STOCK LEVELS

The policy for managing the range and depth of stock material that each ship is required to carry for self-support is describe in OPNAVINST 4441 .12. The average endurance levels of demand based repair parts and equipment related consumables to be carried by an aircraft carrier is 75 days. For nonequipment related, the average endurance level is 60 days. Stock records are grouped as either POS or non-POS for the purposes of levels computation (demand history processing).

Stock levels for non-POS records are established with the requisitioning objective (RO) set equal to the various allowance quantities. The reorder point (RP) is set to one less than the RO, or to a percentage factor of the RO.

Note: The RO is the same as the high limit and the RP is the same as the low limit.

For POS material stock records, the RO and I/P are computed by SUADPS-RT programs. The RP is equal to the order and shipping level, plus the safety level. The RO is equal to the RP quantity plus the operating level quantity.

SPECIAL MATERIAL MANAGEMENT PROGRAMS

Some of the special material management programs related to inventory management are discussed briefly in the following paragraphs.

Contingency Support Package (CSP)

CSP material is stock material considered essential to mission support of deployed Marine Corps aviation units. Stock records for designated items are identified and material is stored in such a manner that removal and shipment can be done quickly.

Maintenance Support Package (MSP)

MSP materials are small, fast-moving, low-cost, consumable aviation repair parts. MSP material is under the custody of the supply officer and, when possible, should be located near the aircraft intermediate maintenance department (AIMD).

Pre-Expended Bin (PEB)

Materials in the PEB are maintenance-related, high-usage items with a unit cost of \$150 or less. However, commanding officers may increase the PEB unit price limit. To qualify as a PEB item, the material must experience three demand frequencies per month. The demand frequency in this case does not necessarily mean the number of times the item is requested from supply, but to the number of times the item is required for maintenance jobs. For example, one transaction of machine screws with a unit of issue of hundred (HD) represents one issue by supply, but may represent several applications to different maintenance jobs. PEB items are expended from supply department records and placed in locations convenient to maintenance personnel on a free issue basis. The quantities of PEB items is limited to one month's supply except for items assigned with a unit of issue (for example, gross) that may exceed the maintenance requirements for one month.

SEAMART

SEAMARTs are established to provide a convenient method of issuing low-cost, high-usage consumable items. Material carried in SEAMART must meet the frequency of demand and unit price limits established by the ship's supply officer. TYCOM approval is required to establish a SEAMART.

Aviation Fly-In Support Package (FISP)

Materials in the FISP consist of selected aviation repair parts that accompany aircraft deploying to an amphibious operating area. The purpose of the FISP is to provide temporary organizational level supply

support until such time that intermediate level facilities and materials become available. Material in the FISP is in addition to normal AVCAL allowances. The FISP is maintained as a protected stock asset by Marine Corps aircraft groups (MAGs) that provide aircraft to the maritime prepositioned ship's marine amphibious brigade aviation combat element.

Maintenance Assistance Modules (MAMs)

The MAMs are replaceable assemblies required to execute approved maintenance plans that call for progressive or selected module substitution. The MAMs are considered as DLRs and are under the management control of the supply officer, but may be located in the operating and maintenance spaces under the subcustody of the operating or maintenance personnel.

Test Bench Installations (TBIs)

The TBIs are similar to MAMs. They are DLRs installed within a test bench and used as part of the test bench to isolate faults. The initial requirements for TBIs are identified during the AVCAL process but are not included as part of the freed allowance. The TBIs are issued to the custody of the intermediate maintenance activity (IMA) by the supply officer.

Controlled Equipment

Controlled equipment refers to those items of equipment that require special management control. Refer to Appendix II of NAVSUP P-485 for a list of items classified as controlled equipment.

PHYSICAL INVENTORY AFLOAT

Physical inventories are conducted on a scheduled or unscheduled basis to determine the accuracy of, and adjust differences between, storeroom quantities and stock records. The frequency of inventories is dependent upon the category of material involved and the degree of validity of the stock records. Preplanning and accuracy are the key factors for an effective inventory management afloat.

Inventory Schedule

Physical inventories afloat should be scheduled to permit accurate and timely physical counts, preliminary and causative research, and posting to the stock records. Regular inventories of small lots are preferable to

occasional inventories of a large range of items. Physical inventories should be conducted at a time when storeroom transactions can be frozen, except for emergency issues.

An inventory schedule outlines, in progression order, the segments of material planned for physical inventory during a fiscal year. The schedule is prepared by the supply officer before the start of each fiscal year and lists the material categories and frequency as shown in table 5-1.

The inventory schedule for stock material in other than supply department custody should reflect the time frames jointly determined by the supply officer and the respective department heads. For each segment listed, the schedule must indicate the number of items to be inventoried, the applicable storerooms or storage areas, and the inclusive dates during which inventory of each segment is to be done. The schedule should also include a column for recording the accuracy rate of the stock records for each completed inventory.

The supply officer should exercise maximum control to make sure the inventory schedule is followed. Storage and stock control supervisors must coordinate the scheduling of inventories for each storeroom so that the y can be conducted at a time when storeroom transactions can be frozen (except for emergency issues), and so that the receipt and issue documents in process can be completed before the inventory begins. Refer to chapter 6 of NAVSUP P-485 or chapter 7 of NAVSUP P-567 for a sample of an inventory schedule.

Preparation for Inventory

Before the physical inventory, all outstanding receipts and issue transactions, suspense items, overdue receipts, and pending issues must be processed. Materials included in the stock segment to be inventoried are inspected and arranged accordingly. The supply department personnel or departmental custodians must ensure that the following actions are taken:

- Loose units of small items are packaged in standard bulk lots
- All items are properly marked, labeled, and tagged
- Cartons and Containers are stored with labels or other identifying information plainly visible
- Uniform-sized packages are stacked in rows and tiers to speed up the counting process

- Containers with broken seals and full counts of originally packaged quantities are resealed

ADVANCE NOTICE.— At least one week before a scheduled inventory of stock material, the supply officer should publish an official notice (normally in the plan of the day) of the segment of stock to be inventoried and the inclusive dates during which the inventory will be taken. The notice should include a statement to the effect that while the prospective inventory is in progress, issue of items included in the material segment being inventoried is restricted to emergency requirements only.

INVENTORY PERSONNEL.— The physical inventory of stock material and controlled equipment in the custody of the supply department is the responsibility of the supply officer. The supply officer provides advisory assistance to other department heads during the physical inventory of material in their custody. The personnel in the inventory team are assigned by the supply officer. The inventories are normally performed by the material custodians provided they are considered properly qualified. In some cases, inventories for special items may be performed by the supply officer or a specifically designated person. Some of the special items are classified material, precious metals, narcotics, and so forth.

QUALITY ASSURANCE.— A quality assurance (QA) team should be established in the supply department. The team consists of a permanent group of trained personnel. The purpose of the QA team is to verify the accuracy of completed physical inventories and location audits. The QA team should sample at least 5 percent of the inventoried material. The accuracy of the physical count and location audit accuracy should be according to the requirements listed in table 5-1. If these goals are not reached, a complete physical inventory should be repeated.

Inventory Reconciliation

Reconciliation is the process of resolving all inventory discrepancies between the actual count of material and the stock record balances. The inventory reconciliation process depends on the type of material being inventoried, the cost of the material, and the circumstances responsible for the discrepancy. Procedures for reconciliations are discussed in the following paragraphs.

PRELIMINARY RESEARCH.— All potential inventory adjustments in excess of \$500 per line item are subject to preliminary research to determine the

correct asset and record balance. This research should consider all recent transactions, any unposted or rejected documentation, a thorough search of adjacent or temporary locations, and the verification of catalog data such as unit of issue or stock number changes.

CAUSATIVE RESEARCH.— Causative research is an in-depth investigation of specific physical inventory discrepancies to determine why they occurred so that corrective action can be taken. This consists of a complete review of all transactions including receipts, issues, change action location changes, and unposted or erroneous documentation. Causative research is conducted for any one of the following situations:

- When classified or sensitive items are involved
- For adjustments of \$500 or more for pilferable items
- For any adjustment of \$2,500 or more
- When there is an indication of fraud, negligence, or theft
- For all adjustments of depot level repairable

Causative research is normally conducted after posting an adjustment to the master stock record. The research must be completed within 30 days from the date of the adjustment posted to the master stock record. Any adjustments selected for causative research are made in the following priority basis

1. Adjustments of controlled items (sensitive, classified or pilferable)
2. Items pending survey transactions
3. All other adjustments, grouped together based on dollar value with the highest dollar value errors researched first

The supply officer reviews the results of causative research on a periodic basis and initiates actions to eliminate the recurrence of such discrepancies.

INVENTORY ADJUSTMENTS.— An inventory adjustment is a gain by inventory (GBI) or loss by inventory (LBI). Preliminary or causative (as applicable) research is conducted for inventory adjustments after the adjustments are posted to the master stock record. Inventory adjustments are not authorized before performing a spot inventory for the following file maintenance actions:

- Requisition file maintenance
- Requisition history file maintenance

- Unmatched listings
- Suspended and error listing processing

ADJUSTMENT REVERSAL.— In the case where the causative research reveals that an inventory discrepancy was caused by a previous adjustment, the previous adjustment must be reversed. The reversal can only be processed if the adjustment is within the allowed look-back period. The look-back period is defined as a minimum of 12 months or back to the last major inventory, whichever is longer. Reversals are based on research of documents used in a previous erroneous adjustment. Offsetting gains and losses posted in a previous fiscal year may not be reversed without evidence of a corresponding current year inventory transaction. Process the reversals as follows:

- Reverse the adjustment by a credit loss or credit gain to the erroneous adjustment
- Process the reversal against the original transaction. A reversal is not permitted when the original adjustment cannot be identified.

SUPPORTING DOCUMENTATION.— All supporting documentation is maintained for 3 years for all adjustment reversals greater than \$100 and in all cases where causative research is required. This documentation is signed by the person responsible for performing the research. The documentation is used to provide a clear and reasonable cause and effect relationship in justification of a specific inventory adjustment or reversal.

Unless delegated to the supply officer, the commanding officer signs the supporting documentation (DD Form 200) for the following cases

- The physical gain or loss by inventory is greater than \$2,500 per line item
- The item is a depot level repairable
- The commanding officer is responsible for signing the DD Form 200 in all the following cases:
 - When there is an indication of fraud, negligence, or theft
 - When the physical gain or loss by inventory is greater than \$10,000
 - When the adjustment involves classified or sensitive items, arms, ammunition, or explosive items

The supporting documentation may vary by circumstances but should consist of the following documents:

1. For adjustments or reversals requiring preliminary research, a checklist of actions taken during preliminary research such as search of adjacent locations, research of unposted or erroneous transactions, or verification of catalog data.

2. For adjustments or reversals requiring causative research, the following is a list of the necessary supporting documentation:

- A checklist of actions taken during preliminary research
- Receipt, issue, or transfer documents relating to the investigation
- Cumulative transaction ledger or master stock record probes
- Survey documents
- Unmatched listings
- Repair parts petty officer (RPPO) or AIMD logs
- Mandatory turn-in repairable (MTR) or carcass tracking documents (including beyond capability maintenance [BCM] log)
- Detailed list of DLRs
- Any other supporting documentation

Inventory Count Procedures

A complete and correct item count is basic to a physical inventory which, in turn, results in greater stock record accuracy and better inventory control. Detailed procedures for the inventory count afloat are described in *Automated SNAP 1 Supply Procedures*, NAVSUP P-567, and *Afloat Supply Procedures*, NAVSUP P-485.

The inventory options available for use on SUADPS-RT ships readily adapt to the inventory schedule and needs of the inventory supervisor. In automated ships, the inventory supervisor can tailor the inventory in anyway that fits the applicable needs. You should familiarize yourself with all the applicable document identifiers to perform a specific task.

Recording Inventory Results

The results of physical inventory must be recorded on the manual or automated files used by the activity.

For manual procedures, refer to NAVSUP P-485. For automated procedures, refer to SUADPS-RT support procedures or other supporting publications.

Inventory Accuracy Standards

Upon completion of the physical inventory and reconciliation of the stock records, the count and adjustment documents must be reviewed. The documents are reviewed to determine the number of items inventoried and the number of location or quantity errors both corrected or adjusted. As a minimum, an accuracy rate of 90 percent is considered acceptable (refer to TYCOM instructions for additional guidance on validity standards). If the accuracy rate is below standard, the supply officer immediately initiates action to ensure more effective maintenance of stock records.

Location Audits

The purpose of the location audit is to verify that material in storage locations agree with the location in the stock record. A location audit should be scheduled so that it is done just before the scheduled inventory of a particular storage area. All storage areas (100 percent) must be audited on an annual basis.

A well-managed location audit program (LAP) reduces inventory efforts and improves the supply effectiveness and inventory accuracy. The LAP also improves the use of all available storage space.

PROCEDURES.— Location audit procedures are contained in NAVSUP Instruction 4440.185, TYCOMs' directives, and NAVSUP P-567. The stock number, location, unit of issue, and shelf-life expiration date are verified during a location audit.

LOCATION AUDIT VALIDITY.— The location validity rate is computed upon completion of a location audit for a particular storeroom or storage area. The accuracy rate for a location audit is 98 percent. The rate is computed by auditing 5 percent of the locations involved and subtracting the number of erroneous locations from the total number of locations audited. Then, divide the difference by the total number of locations audited and the result is the accuracy rate. As an example, for 850 locations validated with 17 errors, the following applies:

$$850 - 17 = 833$$

$$833 \div 850 = 98\% \text{ accuracy rate}$$

An accuracy rate of less than 98 percent for a particular storage area is considered unsatisfactory and

is reason to conduct additional validations or a random sampling inventory in that area. The supply officer may require additional corrective action or training (or both) depending on the severity of the location or inventory accuracy problem. This may require a complete review of current supply practices, the use of SUADPS-RT, and assistance from the TYCOM or Navy Management Systems Support Office (NAVMASSO) supply management teams.

Inventory Reports

The fleet commanders report the gross inventory adjustments, by type commander, to COMNAVSUP-SYSCOM on a quarterly basis. Upon completion of an inventory segment of material afloat, the accuracy rate is entered on the inventory schedule. Results of spot inventories are reported to the requesting activity.

SPECIAL INVENTORIES

Other categories of material have various storage, inventory, and reporting procedures. Although only a few AKs work with these materials, you as the supervisor should know the basic procedures for managing them.

AIRCRAFT

The complete aircraft is not carried in any stores account or equipment record. During the transfer or receipt of an aircraft, specific items or equipment must be inventoried. The aircraft inventory is accomplished to establish a formal and continuous chain of accountability of specified material. Specified items for inventory is listed in the *Aircraft Inventory Record (AIR) Equipment List*, OPNAV 4790/111. The AIR is applicable to all aircraft of a specified type/mode/series (TMS) and lists selected material and equipment. A master aircraft inventory record (MAIR) that identifies installed and loose equipment requiring inventory is maintained by Naval Air Systems Command (NAVAIRSYSCOM). The MAIR serves as a checklist for items requiring inventory, provides reasons/authorizations for shortages, and documents certificates of accountability.

Other items besides those listed in the AIR must be inventoried. The equipment listed in or comprising subsystem of the applicable mission essential subsystem matrix (MESM) must be accounted for before transferring the aircraft. The accountability of most MESM items is done by system operations checks and maintaining a maintenance action form or facsimile

file. Any missing MESM-related items must be identified in the AIR as shortages even though the item is not listed in the AIR equipment list.

The AIR consists of the following parts: Certification and Record of Transfer, OPNAV Form 4790/104; Binder, OPNAV Form 4790/109; Title Page and Sectional Breakdown Diagram, OPNAV Form 4790/110; Equipment List, OPNAV Form 4790/111; and Shortages, OPNAV Form 4790/112. OPNAV Instruction 4790.2, provides detailed procedures for the use of the aircraft inventory record.

When an aircraft is to be transferred on site, designated inventory teams from the transferring and accepting activities jointly inventory the aircraft using the AIR. Entries are made in the appropriate columns of the Equipment List, OPNAV Form 4790/111, indicating the quantity of each item on board the aircraft at the time of transfer. Any items missing and not available for transfer with the aircraft are identified on the AIR Shortages, OPNAV Form 4790/112. A Certification and Record of Transfer, OPNAV Form 4790/104, is completed at the time of transfer.

When a ferry pilot is required to effect an aircraft transfer, two inventories are made. One inventory is made before the ferry flight by the transferring activity and one inventory is made upon completion of transfer by the accepting activity. The aircraft ferry pilot does not participate in these inventories, except to accept custody of pilferable and classified equipment from the transferring activity and to transfer custody of these items to the accepting activity.

When an aircraft is delivered to a depot or contractor facility and is scheduled to be returned to the same organization after testing or rework projects, items not requiring rework or required by the testing activity are retained by the reporting activity. All such removals are appropriately noted on the OPNAV Form 4790/112 to relieve the depot or contractor activity of accountability requirements.

When an aircraft is being prepared for transfer to the Aerospace Maintenance and Regeneration Center (AMARC) for storage, any AIR items used to protect the aircraft from damage, to make the aircraft safe for maintenance, or required for passenger support remain with the aircraft. Questions concerning disposition of AIR items before transfer of aircraft to AMARC should be forwarded to NAVAIRSYSCOM via the chain of command.

CONTROLLED EQUIPAGE

Controlled equipage consists of items that require special management control because they are essential for the protection of life or are relatively valuable and easily converted to personal use. Items classified as controlled equipage are listed in appendix 11 of NAVSUP P-485. The list includes only those items selected (or approved) by the fleet commanders in chief to be included in this category. Proper inventory management of controlled equipage issued for end use requires the maintenance of separate custody records for individual items; physical inventories; surveys of lost, missing, or Unserviceable items; and periodic reports of consumption, deficiencies, and excesses to the cognizant TYCOM. Controlled equipage is in the custody and inventory control of cognizant department heads.

All Controlled equipage is inventoried biennially, in each odd-numbered year, during the period between 15 February and 15 March. Additional inventories, which must be completed within 30 days after the commencement date, are required in the following cases: upon commissioning, inactivation, or reactivation of an activity; upon relief of a department head for those items in the custody of the department concerned; and upon change of command at the discretion of the relieving commanding officer.

When a shipwide inventory of controlled equipage has been taken during the six-month period preceding 15 February, the biennial inventory requirement for the current year is considered to be satisfied. Inventory taken incident to the relief of department head must be conducted jointly by the relieved and relieving department heads. This joint inventory must be completed (including surveys) before the detachment of the relieved department head.

The Controlled Equipage Custody Record, NAVSUP Form 306, is used as a custody record and inventory control document for controlled equipage. The originals of the NAVSUP Form 306 are maintained by the supply officer and, when not in use, are kept in a locked file. All entries concerning receipts, expenditures, and inventories are posted to the NAVSUP Form 306. When a new NAVSUP Form 306 is required, information from the old custody record is copied and the balance carried forward to the new card. The old NAVSUP Form 306 is retained for 36 months from the date of the last inventory entry in the inventory record section.

When the inventoried quantity of a controlled equipage item does not agree with the custody record balance, a receipt or expenditure entry (as appropriate) is required to adjust the custody record balance. Such adjustments may be made only after recount, investigation, and research have been unable to reconcile the difference. When the gain difference cannot be reconciled, a GBI is posted to the Transaction Record column, and for a signature-required item, the responsible department head's signature is required to acknowledge custody of the increased quantity. When the loss difference cannot be reconciled, the expenditure of the deficient quantity must be documented on a DD Form 200. Surveys are also required for any unserviceable items discovered during the inventory. When the survey is for an item suspected of being stolen, its loss must be reported to the Naval Criminal Investigative Service Headquarters (NCISH), 2461 Eisenhower Avenue, Alexandria, VA 22314. Additional guidance for reporting theft can be found in SECNAV Instruction 5500.4. The term loss by inventory or LB I is not an authorized entry in controlled equipage records.

Upon completion of a controlled equipage inventory, each department head submits a letter report to the commanding officer, with a copy to the supply officer. When controlled equipage is inventoried on change of department head, the letter report must be signed by both the relieved and relieving department heads. Letter reports include the following information:

- Controlled equipage inventory has been completed
- Surveys applicable to shortages and unserviceable items have been submitted (or reasons why they have not been submitted)
- Issue requests applicable to shortages and unserviceable items requiring replenishment have been submitted to the supply officer (or reasons why they have not been submitted)
- List of excess controlled equipage items, including justification or authority for any excess items desired to be retained

Detailed procedures for the physical inventory of controlled equipage and entries required on the NAVSUP Form 306 can be found in NAVSUP P-567 and NAVSUP P-485.

INDIVIDUAL MATERIAL READINESS LIST (IMRL)

The IMRL is a consolidated allowance list specifying authorized quantities of aviation support equipment (SE) required by a particular activity to perform its assigned maintenance level functions.

An IMRL is constructed for all Navy and Marine Corps aviation maintenance activities by extracting applicable portions of Support Equipment Resources Management Information System (SERMIS) data. The on-hand quantity listed in the IMRL is based on physical inventories and reported by IMRL transaction reports. An IMRL transaction report is submitted each time the status of any IMRL item changes, such as receipt, transfer, or survey. In addition to these transaction reports, an annual inventory must be conducted for all IMRL items and the results reported according to procedures outlined in NAVAIR Instruction 13650.1. An annual inventory is conducted to ensure a sufficient quantity of IMRL items are on hand and to verify the condition of each item. Additional information for IMRL inventory and reporting is contained in OPNAVINST 4790.2.

SHELF-LIFE MATERIAL

Generally, items in the supply system that have an expected shelf-life greater than 60 months are not included in the shelf-life program. However some medical supplies, personnel parachutes, and special items included in the shelf-life program are assigned shelf-life code X. Certain rubber products with an expected shelf-life greater than 60 months are not included in the shelf-life program. These items have shelf-life code of O or O (zero). Although these rubber items are excluded from the program, they should not be issued, returned for credit, or used if the use-by-date has passed. The use-by-date is typically expressed by month and year with the day of the month being the last day. AU shelf-life items are assigned shelf-life codes and shelf-life action codes.

Shelf-Life Codes

A shelf-life code is a single alphabetic or numeric code that denotes the shelf-life span of material from the date of manufacture to the date when it should be disposed of or tested according to the inventory manager's instructions to extend the shelf life. Type I (alphabetic) codes apply to items for which shelf life cannot be extended. Type II (numeric) codes apply to items for which shelf life can be extended. See table

5-5 for a list of shelf-life codes. Shelf-life codes can also be found in the appendices of NAVSUP P-485 and NAVSUP P-567.

Shelf-Life Action Codes

The Shelf-life action codes are composed of two characters. The codes may be a combination of two letters, two numbers, or letter and number. The following are examples of shelf-life actions codes

Table 5-5.-Shelf-Life Codes

Shelf-Life Codes		Shelf-Life Period
Type I	Type II	
O	0	Nondeteriorative
A	–	1 month
B	–	2 months
C	1	3 months
D	–	4 months
E	–	5 months
F	2	6 months
G	3	9 months
H	4	12 months
J	–	15 months
K	5	18 months
L	–	21 months
M	6	24 months
N	–	27 months
P	–	30 months
Q	7	36 months
R	8	48 months
S	9	60 months
X	X	Military essential and medical items with shelf-life longer than 60 months

CODE DEFINITIONS

- CO** - Check/inspection/test in accordance with inventory manager's instructions.
- RD** - Replace all deteriorated and nonmetallic components subject to deterioration. Disassemble the item and process to the level required to permit replacement of deteriorable items; test to post overhaul standards and return to stock as ready for issue (RFI) item with fully restored storage time limitations. Mark the exterior package with the last date of overhaul.
- T_** - Test the item. If correct, extend the shelf life by the number of months indicated by the shelf life code following the T after which process in accordance with code RD.
- UU** - Unsuitable for restoration to issuable status. At the end of shelf life period, dispose of the material according to existing instructions.

The shelf-life action code is assigned to a shelf-life item for the following reasons:

- To specify the type of inspection, test, or restorative action to be taken when the item has reached its storage shelf life
- To specify the extension of the shelf-life time period after the test or restorative action has been completed

A complete explanation of each shelf-life action code is described in the appendices of NAVSUP P-567 and NAVSUP P-485.

Management Procedures

Shelf-life management procedures are designed to accomplish the following objectives:

- To reduce the financial loss because of the nonutilization of deteriorative items before the shelf-life expiration date
- Ensure that overaged material, that may be ineffective or unsafe, is not installed in shipboard or aircraft systems.

Shelf-life material is inspected periodically for condition and expiration dates. When multiple quantity items have been inspected and found to have different

expiration dates, they should be rearranged, if necessary, to place units with the earliest expiration date in front of the others so the older stock is issued first.

Expired Shelf-Life

Expired type II shelf-life items are restored according to applicable shelf-life action codes (SLAC). The SLAC may be listed in the technical publications or the cognizant inventory manager's instructions or both. When these items can be restored, the expiration dates on the stock labels are then extended, as appropriate. Expired type II shelf-life items that are not within the ship's capability to restore are turned in to the nearest shore supply activity.

Expired type I shelf-life items are normally disposed of by removing from stock and then destroying them unless the overage items can be used safely for secondary purposes not requiring material in ready-for-issue condition.

Inventory Review

The shelf-life item inventory is reviewed and compared with anticipated requirements to guarantee timely turn-in of those items not used or restored by the ship before the expiration date. Type I shelf-life material is not turned in to supply activities in the United States (including Hawaii) if the extended cost of the item is less than \$50 or the remaining storage life is less than 3 months. Type I shelf-life material is not turned in to the supply activities in Alaska or overseas bases if the extended cost of the item is less than \$100 or the remaining storage life is less than 6 months.

Condition Code

The supply condition codes are assigned to shelf-life items according to the length of time remaining before the expiration date. Table 5-6 lists the supply condition codes applicable to shelf-life items.

MATERIAL IN CUSTODY OF OTHER DEPARTMENTS

The supply officer is responsible for the storage, security, and inventory control of all stock material held in custody. Although stock material should be stored in supply department storerooms, it may be necessary or advisable to store bulky consumables such as lumber, metal, and pipe or certain repair parts in spaces under control of other department heads.

Table 5-6.-Supply Condition Codes for Shelf-Life Items

Application of Supply Condition Codes to Shelf-Life Items		
Code	Title	Definition
A	Serviceable (issuable without qualification)	Shelf-life remaining is more than 6 months.
B	Serviceable (issuable with qualification)	Shelf-life remaining is 3 to 6 months.
C	Serviceable (customer concurrence required prior to issue)	Shelf-life remaining is less than 3 months.
E	Unserviceable (limited restoration)	Material that requires only limited expense or effort to restore to serviceable condition.
G	Unserviceable (incomplete)	Material requiring additional parts or components.
H	Unserviceable	Type I shelf-life items that have passed the expiration date and type II items that have passed their inspection or test date and cannot be extended.
J	Suspended (in stock)	Type II shelf-life material that has reached the inspection or test date and is awaiting inspection, test, or restoration.
K	Suspended (returns)	Material returned from customers or users and awaiting condition classification.
L	Suspended (litigation)	Material held pending litigation or negotiation with contractors or common carriers.
R	Suspended (reclaimed items, awaiting condition determination)	Assets turned in by reclamation activity that do not have the capability to determine the material condition. Actual condition must be determined before inducting the item to maintenance activities for repair or modification.

When supply department stock is stored in other department spaces, the supply officer exercises inventory control and obtains written authorization from the commanding officer for such storage. The authorization should specify the supply officer's responsibilities relating to procedural instructions, stock replenishment, physical inventory, and the maintenance of stock records. Responsibilities of the department head having custody are included in the authorization, which must address the storage, security, issue, inventory, and location of the material.

Designation of Custodian

When supply department stock material is authorized to be stored in other departmental spaces, the department head having custody designates (in writing to the supply officer) a custodian for the material. The departmental custodian must be a reliable person whose knowledge, experience, or training qualifies the individual to perform supply functions normally required of storeroom Storekeeper. The supply officer provides departmental custodians with detailed written instructions for assisting them in the proper performance of assigned functions.

Records

The supply officer maintains the stock records for all stock material stored in other departmental spaces. Each departmental custodian is provided with a listing of the stock material in his or her custody. The departmental custodian is not required to maintain records other than locator lists.

Inventory

The supply officer provides advisory assistance during the physical inventory of stock material and controlled equipment in the custody of other departments.

RELIEF OF SUPPLY OFFICER AFLOAT

The supply officer and relieving supply officer conduct a joint inspection of the supply department before the supply officer departs. The joint inspection includes storerooms, material, materials-handling equipment, operating spaces, office spaces, personnel, files, records, procedures, and organization. When circumstances prevent the two officers from making a joint inspection, the relieving officer conducts the inspection and prepares a report to the commanding

officer as soon as possible, but not later than 20 days after taking charge of the department.

Inventories and Returns

The areas covered in the following paragraphs are subject to inventory upon relief of the supply officer afloat.

GENERAL STORES.— A complete inventory of supply department stock of general stores material is not required on relief of the supply officer. However, the relieving officer conducts a sample inventory and location audit of a random selection of items to determine the reliability of stock records. The recommended number of items for sampling is as follows:

- Inventory of 10 to 15 percent of the total Selected Item Management (SIM) items carried
- Inventory of one-fourth of 1 percent of the total non-SIM items carried (at least 50 percent of the items selected must have usage recorded)
- Location audit of one-fourth of 1 percent of the total line items carried.

The inventory and location audit accuracy rates determined by the sample inventory and location audit are reflected in the relieving officer's letter report to the commanding officer. An inventory accuracy rate of 90 percent and a location accuracy rate of 95 percent are considered to be the minimum acceptable.

CONTROLLED EQUIPAGE.— All items of controlled equipment in use in the supply department are inventoried, and custody is transferred to the relieving supply officer.

FOOD ITEMS, SHIP'S STORE, AND RETAIL CLOTHING.— All food items, ship's store stock and retail clothing items are inventoried and stores returns are rendered according to procedures contained in foodservice management and ship's store afloat publications when the supply officer is the accountable officer. The relieving supply officer promptly opens the accounts for stores transferred on the relieved supply officer's final returns.

MAINTENANCE ASSISTANCE MODULES (MAMs).— All MAMs are inventoried as repairable in proportion to total repairable assets, and custody is transferred to the relieving supply officer.

TEST BENCH INSTALLED.— These repairable are inventoried on the same basis as other DLRs, and custody is transferred to the relieving supply officer.

Relieving Report

Upon completion of the department material, personnel, and records inspection, the officers submit a joint relieving letter to the commanding officer.

AIRCRAFT ENGINES

The number of spare aircraft engines carried by the activities are determined by their type commanders. These engines are inventoried and managed by the type, model, and serial number. The reporting procedures for the Navy aircraft engine management system (AEMS) are prescribed in NAVAIRINST 13700.15. This instruction covers the requirements for reporting engine/propulsion system/module (EPSM). You should be familiar with the terms and definitions used in AEMS.

Definitions

- The AEMS on-line computer terminal is a computer terminal used for direct input of reports and retrieval of EPSM data.

- The controlling custodians are air commands and Naval Air Systems Command (NAVAIRSYSCOM) fleet support units exercising administrative control of assignment, employment, and logistic support of certain aircraft and engines as specified by the Chief of Naval Operations (CNO). The controlling custodians are listed in NAVAIRINST 13700.15.

The designated repair points (DRPs) include the naval aviation depots (NAVAVNDEPOTs), commercial repair facilities, and Army and Air Force facilities designated as NAVAIR fleet support custodians.

- The EPSM reporting custodians are the Navy and Marine Corps activities, units, squadrons, and detachments (including commercial activities) that have physical custody of aircraft EPSMs.

- The engine transaction report (ETR) is submitted on an “as occurring” basis.

- The term *firewall* refers to the section of an aircraft where the engine or propulsion system is installed.

- The module is the first sectionalized portion of the propulsion system that is one level below the propulsion system. Some examples of modules are the power section, gear box, and so forth.

- The term *propulsion system serial numbers* (PSSNs) is the same as the term *engine serial numbers*. The Naval Aviation Maintenance Office (NAVMANTOFF) assigns the PSSN for modular propulsion systems.

- Quick engine change assembly (QECA) is an engine or propulsion system to which a quick engine change kit (QECK) has been applied. This does not include the propeller for reciprocating engines or turbo prop propulsion systems. The QECA provides for rapid replacement of an inoperable engine in an aircraft.

- A QECK is a kit containing all items required for a quick engine assembly change except for government-furnished equipment, engines, and propellers.

- The status codes consist of two digits that describe the status of an aircraft EPSM. Refer to enclosure 2 of NAVAIRINST 13700.15 for a list of status codes.

- Star codes consist of two digits that describe the condition or give the reason for transactions such as strikes, transfers, removals, and so forth. The star codes cannot be used without a status code. Refer to enclosure 2 of NAVAIRINST 13700.15 for a list of star codes.

Reporting Responsibilities

The controlling custodians are responsible for ensuring that the reporting activities submit the ETRs in a timely manner. The ETRs must be submitted no later than 2400 hours on the first working day following the date the status on EPSMs are assigned to their custody. The reporting responsibility starts when an EPSM has been received by a controlling custodian. The reporting responsibility stops when the EPSM is transferred to another controlling custodian or when the EPSM is stricken from AEMS.

Supply officers (SUPOs) ashore and commanding officers of fleet and industrial supply centers (FISCs) are responsible for submitting transactions on EPSMs directly to AEMS. This includes EPSMs received in or transferred from their custody.

Engines and propulsion systems removed from aircraft for organizational level maintenance or to

facilitate other maintenance will not be reported as long as the same unit will be reinstalled on the same firewall.

When all modules are removed from a propulsion system, the propulsion system is considered disassembled. The propulsion system is placed in status code 90 automatically and requires no ETR submission.

The ETRs can be submitted by using a naval message or the on-line AEMS computer terminal. The ETRs submitted by NAVAIR reporting custodians use the vertical format. The ETRs submitted by COMNAVAIRLANT, COMNAVAIRPAC, and CNATRA use the horizontal format. See the examples of the vertical and horizontal formats in enclosure 2 of NAVAIRINST 13700.15.

SUMMARY

The goal of the supply organization is to provide all the material or services requested by the customer(s). However, to accomplish this goal requires a huge amount of money and storage space. The inventory management in the Navy use the projected customer demand to stock materials. Any items that do not have a projected demand are not stocked so that the available resources (time, money, space, and personnel) can be invested in items that have a high demand. Inventory management includes deciding what items and what quantity must be stocked for each item. Maintaining the items at the level that fully supports the customer's needs is a challenge for any supply organization. A good inventory management includes monitoring of all transactions that affect the quantity of material in stock. In this chapter, we discussed the functions of inventory managers and inventory control points.

We also discussed the different terms and definitions used in Navy inventory management. The

definitions for each term will help you understand the word or subject as it is used in the supply procedures.

We discussed your responsibilities as a supervisor in managing the inventories. File maintenance is as important as doing any other functions in inventory management. The files used in manual or automated procedures should always be properly maintained and kept current.

Several management reports must be completed, reviewed, or submitted. You should become familiar with all the management reports. You must know when the reports are produced, how to read them, and when they need to be submitted to higher authority.

Most importantly, we discussed the physical inventory requirement in the Navy. The purpose of the physical inventory is to keep the inventory records accurate. We discussed the different types and the frequency for conducting an inventory and the standard goals that should be met. We discussed the procedures for conducting physical inventory ashore and afloat. We discussed the procedures from the preparation for inventory to the physical count reconciliation and processing the adjustments.

We discussed the inventory requirements during the relief of supply officers. The AKs are involved in conducting inventory of general supplies, controlled equipage, and repairable (including MAMs and TBIs).

We discussed the special inventory items such as aircraft engines, material stored in other department's spaces, shelf-life items, and so forth. You should familiarize yourself with the procedures for managing these items.

We covered the procedures for conducting the location audit and the required report of its completion.